



DEFENSE LOGISTICS AGENCY
THE DEFENSE CONTRACT MANAGEMENT COMMAND
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OCT 19 1998

IN REPLY
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DCMC-0

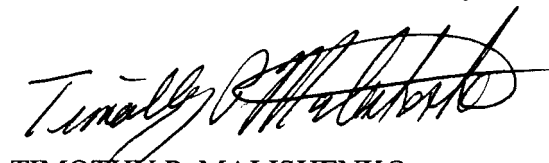
MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND
TECHNOLOGY)
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION AND TECHNOLOGY)
DIRECTOR, DEFENSE PROCUREMENT
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION
REFORM)
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)
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DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION
THROUGH: ~~DIRECTOR, DEFENSE LOGISTICS AGENCY~~

SUBJECT: Single Process Initiative (SPI) Quarterly Report, July 1 – September 30, 1998

The attached SPI Quarterly Report is for the fourth quarter of FY98. This report is primarily dedicated to the second annual SPI Awards Program and the ceremony held on September 29, 1998. Summaries of keynote speeches and citations on awardees are included. The complete text of Dr. Gansler's keynote remarks is available on our home page (<http://www.dcmc.hq.dla.mil>).

Current SPI statistics can be found in the appendices. Additionally, a variety of SPI data is also available for viewing on our home page (<http://www.dcmc.hq.dla.mil>).

Should you have any questions or concerns regarding information contained in the attached report, please contact our SPI/Block Change Management Team Chief, Mr. Gordon Elley, at (703) 767-247 1.


TIMOTHY P. MALISHENKO
Major General, USAF
Commander

Attachment

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***Defense Contract Management Command
Single Process Initiative (SPI) – Quarterly Report
July 1, 1998 -- September 30, 1998***

***1998 SPI Recognition Awards Program
Awards Process***

- Second annual SPI Recognition Awards Program kicked off May, 1998
- Six categories of awards reflective of 1998 SPI strategic goals
 - For Management Councils - High Payoff Processes, Business Re-engineering, Supplier Mentoring, Acquisition Pollution Prevention, International Programs
 - For Contract Administration Offices - Increasing Participation
- Nomination packages were to address accomplishments in established criteria
 - For Management Councils - Teamwork, Process Selection, Analysis Techniques, Problem Resolution, Implementation, and Results/Benefits
 - For Contract Administration Offices - Teamwork, Marketing, Contractor Selection, Implementation, and Results/Benefits

Awards Ceremony

- On September 29, 1998, DCMC Commander hosted the Second Annual SPI Recognition Awards Program Ceremony at the Defense Logistics Agency Headquarters Complex
 - The Honorable Dr. Jacques Gansler, Under Secretary of Defense for Acquisition and Technology, was the keynote speaker
 - Ms. Fran McPoland, the White House Federal Environmental Executive, participated as a special guest speaker in recognition of the Acquisition Pollution Prevention category
- Over 200 of our government and industry partners were in attendance including the following senior leaders
 - Industry

Mr. Dain M. Hancock	President, Lockheed Martin Tactical Aircraft Systems
Mr. Chuck Vehlowl	Senior VP, Rotorcraft, The Boeing Company
Mr. William Lawler	Corporate VP, Northrop Grumman
Mr. Douglas Patriquin	Executive VP, Canadian Commercial Corporation
Mr. Barry Abrahms	Senior VP for Business Development, Raytheon
 - Government

Mr. Stan Soloway	Deputy Under Secretary of Defense (Acquisition Reform)
LTG Glisson	Director, Defense Logistics Agency
Mr. Bill Reed	Director, DCAA
Mr. Lou Chaker	Asst Deputy Under Sec of Def (Corp. Logistics Integration)

***Highlights from Dr. Gansler's Speech
SPI: Its Role In Civil/Military Integration***

- One of the most important initiatives in DoD acquisition today is maximum use of commercial items, operations, and practices -- civil/military integration
 - SPI is a vital key to this wholesale transformation in how the Department does business
 - Industrial partners in this effort are making a positive impact
 - By voluntarily working on SPI, encourage innovation, modernization, industry consolidation, and subcontractor reform
 - Next generation of proposals may be harder to develop; great potential
- Strongly supports and emphasized the critical role of SPI in June 1998 memorandum
 - SPI is chosen mechanism to implement industrial change
- DoD Program Managers and Program Executive Officers have important role in SPI. Must be part of the process and work to make it happen
- New SPI Executive Council to move ahead and determine how to encourage greater participation by program managers
 - Council to look at SPI with long-term perspective. Considerable way to go
- May not realize cost savings objectives in early stages, goal is to focus on long term improvements making most effective use of overall DoD dollars
- Look for benefits beyond program dollar savings -- lower product costs on future buys, reduced government oversight, and technical improvements
- Discussed future threats
 - Focus sufficient resources on R&D and procurement of advanced weapons
 - New systems must be developed and deployed on much faster cycle
 - Affordability is as great a technical challenge as performance. Must take full advantage of cost-sensitive, product and process technologies and lessons that turned around American commercial enterprises and industry
 - Perhaps most essential for full transformation is far greater civil/military industrial integration
 - Our defense needs can be better satisfied by commercial capability
 - Must expand supplier base to world-class commercial firms
 - Must encourage traditional suppliers toward commercial markets
- Those receiving recognition in outstanding SPI programs are a source of encouragement
- Complete remarks, including more details on civil/military integration and future threats and challenges, may be found on our home page

Excerpts from Ms. McPoland's Remarks

- Noted DoD's significant accomplishments toward furthering the Vice President's reform efforts- the movement toward commercial practices and effective teaming with industry, while being mindful of the effects on the environment

- DoD, notably, the Defense Contract Management Command, has aggressively led this charge through the SPI
- Pointed out even relatively simple ideas can have a significant impact
- Acknowledged the strong influence of the Office of the Under Secretary of Defense (Environmental Security), led by Ms. Sherri Goodman, and the Joint Group on Acquisition Pollution Prevention in these efforts
- Congratulated and challenged all to push and do even more in the coming months and years

High Payoff Processes

Awarded to management councils spearheading changes in technical processes that resulted in significant improvements in cost, schedule, or technical performance.

- The Management Council at The Boeing Company – Mesa, Mesa, AZ
 - Processed 10 SPI block changes resulting in cost savings of \$20 million, and cost avoidance of \$47 million.
 - Wire harness concept provided over 70 pounds in weight savings to Longbow helicopter
 - Hardware variability control concept reduces rework, scrap, manufacturing variances and costs
 - Accomplishments have brought national exposure to this council
- The Management Council at Lockheed Martin Tactical Aircraft Systems, Ft. Worth, TX
 - Recipient of two awards
 - This Management Council negotiated \$1.5 million in savings by replacing two military standards - Mil-Std-965 and Mil-Std-1806 - with contractor processes
 - Drastic reductions in cycle times in parts control, engineering drawing preparation, and data management

Business Re-engineering

Awarded to management councils spearheading changes in business or management processes that resulted in significant improvements in cost or management efficiency.

- The Management Council at Rockwell Collins Inc., Government Systems, Cedar Rapids, IA
 - Set a new standard in cooperation and communication among various government customers and Rockwell organizations
 - During reorganizations and consolidations, Management Council was the primary medium for study of common process changes and acquisition reform
 - This Management Council teaming effort has resulted in a combined savings/cost avoidance in excess of \$5 million with just 16 SPI Block Changes
 - Creatively established the trust and foundation needed to continue to significantly reduce costs for both current and future Government procurements
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- The Management Council at Northrop Grumman Military Aircraft Systems Division, Hawthorne, CA
 - Won awards in two categories
 - One re-engineered process, Disposition of Non-Conforming Material, resulted in a 57% reduction of quality assurance personnel overall
 - 15 block changes with a combined savings and cost avoidance of \$11 million which led to a 13% reduction in the unit cost of the Navy's F-18 Hornet fighter

Supplier Mentoring

Awarded to management councils spearheading changes and flowing down freedom at sub-tier suppliers resulting in improvements in cost, schedule, or technical performance for both.

- The Management Council at Lockheed Martin Tactical Aircraft Systems, Ft. Worth, TX
 - Recipient of two awards
 - \$1.5 million in negotiated savings
 - First to use a subcontractor enabling provision to flow down fewer requirements to suppliers and streamlined the approval cycle. Piloted a method for processing supplier proposals throughout the entire Lockheed Martin Corporation
- The Management Council at Northrop Grumman Military Aircraft Systems Division, Hawthorne, CA
 - Won in two categories
 - Sponsored SPI Awareness conferences and working sessions with employees and suppliers
 - SPI is integral part of the Northrop Grumman Strategic Operating Plan

Acquisition Pollution Prevention

Awarded to management councils at the forefront of finding testable alternatives to processes that use hazardous material. These management councils effectively use SPI to facilitate substitution of safer alternatives that reduce hazardous emissions into the environment.

- The Management Council at Raytheon Electronic Systems, Bedford, MA
 - Replacing six material specifications, covering paints and primers, by processing concept papers using chromium free coverings and reducing air pollutants in paint/preservation processes
 - Not only improves air quality and employee safety but also saves \$17,000 annually per facility
- The Management Council at Honeycomb Company of America, Sarasota, FL
 - Aggressive approach toward eliminating environmentally harmful chemicals and solids from metal process lines

- Altered paradigm concerning application of Chromic Acid Anodizing of aluminum aircraft parts for the C-5, C-130 and C-141 Aircraft by deleting Sulfuric Acid - Sodium Dichromate solution
- Secured future product lines of defense hardware as well as protected the local ecology

International

Awarded to the international management council most successful in overcoming some of the unique challenges faced in applying Acquisition Reform or SPI.

- The Management Council at Diesel Division General Motors, London, ON, Canada
 - Management Council consists of United States and Canadian Government/Supplier personnel
 - Processed block changes enhancing the efficiency of production lines producing Light Armored Vehicles for the US Army and Marines
 - By introducing commercial production processes across the board, block changes have eased contract administration efforts and saved scarce Department of Defense dollars

Increasing Participation

Awarded to Contract Administration Offices most effective at increasing participation by utilizing innovative approaches

- The Defense Contract Management Command San Francisco, CA
 - Developed a marketing strategy and plan and produced an area office profile identifying contractors and processes with greatest opportunity for savings
 - The marketing plan is now widely recognized as the way to go
- The Defense Contract Management Command Dayton, OH
 - Of 33 Concept Papers Submitted, 31 Block Change Modifications - 94% Success Rate
 - Efficient planning and screening process, with emphasis on suppliers, and established goals contributed to the demonstrated success of this team

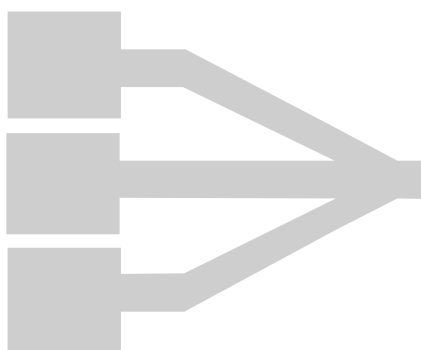
SPI Recognition Awards Program Goals

- Recognize Management Councils and geographical Contract Administration Office teams making significant progress implementing SPI
- Encourage Management Councils to promote better teamwork, communication, and cooperation between contractors, DCMC, DCAA, and major customers

- Encourage contractors to aggressively pursue replacing government-unique management and manufacturing requirements with more efficient, technically acceptable, common facility-wide practices in support of civil/military integration
- Encourage Management Councils to spearhead changes in technical processes that result in significant improvements in cost, schedule, or technical performance
- Encourage Management Councils to work with sub-tier suppliers and facilitate changes that result in significant improvements in cost, schedule, or technical performance
- Encourage Management Councils nationwide to share successes and lessons learned

Summary

- 1998 DCMC sponsored Recognition Awards Program successfully demonstrated successes being realized toward strategic goals of SPI
 - Awards process was competitive- reaffirmed there are many successful Management Councils and Contract Administration Offices
- Planning of 1999 Recognition Awards Program to begin shortly
 - Categories will evolve with SPI emphasis areas and goals
 - Suggestions for improvement welcome



SINGLE PROCESS INITIATIVE

Implementation Summary

As of Friday, October 9, 1998

	Contractor Facilities:	300
	Top 200 Corporation Facilities:	164
	International Facilities :	13
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	Total Proposed Process Changes:	1492
	Found Technically Unacceptable:	59
	Processes Withdrawn/Disapproved:	283
	Total Block Change Modifications:	1038
	Average days from Submittal to Modification:	140
	Total Open:	171
	* Total Open Aged Over 120 days:	53
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Proposal Development (30 Days)	Total Under Development/Awaiting Initial Acceptance:	24
	Total Under Development for More Than 30 Days:	21
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Approval (60 days)	Total Under Review for Approval:	83
	Disagreements/Problems Escalated:	27
	Total Under Review for More Than 60 Days:	36
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Modification (30 Days)	Total Awaiting Contract Modification:	64
	Total Awaiting Contract Modification for More Than 30 Days:	60
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Implementation Results	Amount Negotiated:	\$30,301,033
	Estimated Cost Avoidance on Future Contracts:	\$445,544,411

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* Does not include Law/Reg Proposals

Appendix B

SPI Demographics by Service and Buying Office Quarterly Report, Period Ending September 30, 1998

Appendix A

